

Answers

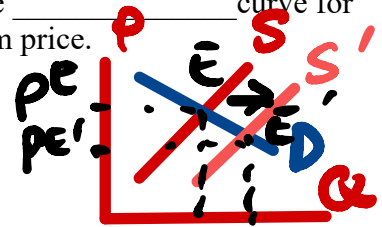
EE211 Section 1 Quiz 1 (Submit in class)

Name _____ Last 4 digits ID _____

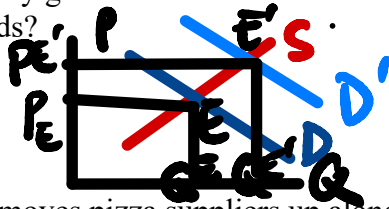
Answers all following questions. Provide full explanation with graphs.

1. The discovery of a large new reserve of crude oil will shift the _____ curve for gasoline, leading to a _____ equilibrium price.

- supply; higher
- supply; lower
- demand; higher
- demand; lower



2. If the economy goes into a recession and income fall, what happens in the markets for inferior goods?



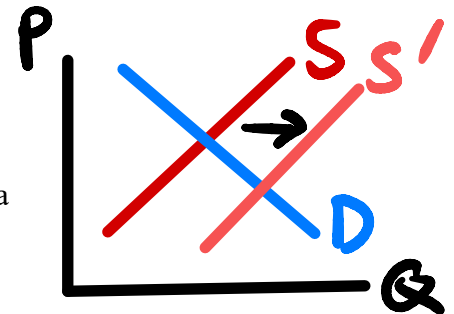
At the new equilibrium, price ↑
Mkt for inferior quantity ↑.

3. What event moves pizza suppliers up along a given supply curve?

- An increase in the price of pizza
- An increase in the price of root beer, a complement to pizza
- A decrease in the price of cheese, an input to pizza
- A kitchen fire that destroys a popular pizza joint

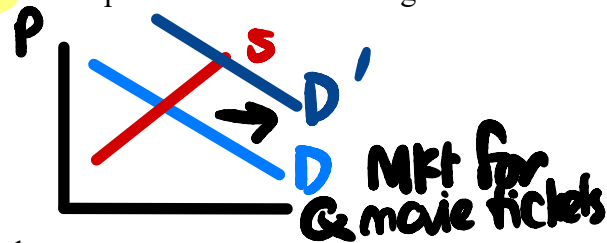
4. What event shifts the supply curve for pizza to the right?

- An increase in the price of pizza
- An increase in the price of root beer, a complement to pizza
- A decrease in the price of cheese, an input to pizza
- A kitchen fire that destroys a popular pizza joint



5. Movie tickets and video streaming services are substitutes. If the price of video streaming increases, what happens in the market for movie tickets?

- The supply curve shifts to the left.
- The supply curve shifts to the right.
- The demand curve shifts to the left.
- The demand curve shifts to the right.



6. A market is described by the following supply and demand curves:

$$Q^S = 4P$$

$$Q^D = 100 - P$$

At equilibrium, $Q^S = Q^D$

Solve for the equilibrium price and quantity.

The equilibrium price is 20.
The equilibrium quantity is 80.

$$4P = 100 - P$$

$$P = \frac{100}{5} = 20$$

$$Q^S = 4(20) = 80$$

$$Q^D = 100 - 20 = 80$$